Rubicor
CONNECTED PEOPLE

2012 Annual General Meeting
Addresses to shareholders

Chairman's Address
Mr John Pettigrew, Chairman, Rubicor

I would like to start by taking you through the results for the financial year 2012 and then comment on recent developments.

Slide - Financial Results

Last year was a difficult year for the recruitment industry, especially the second half. Global and domestic economic concerns contributed to an erosion of business confidence, which in turn affected levels of recruitment activity, particularly for permanent placements.

While total revenue at $290 million was much the same as last year, there was a change in the mix of business and additional pressure on margins. Our volumes in temporary and contract recruitment held up relatively well, whilst in comparison, permanent placements declined. As a result, Net Disposable Revenue (or Gross Profit) declined 13.7 per cent to $55.7 million.

Our statutory EBITDA for 2012 was $6.8 million, marginally below the earnings guidance given to the market in May. After interest expense and taxation we reported an underlying loss of $0.8 million. Following a review of the carrying value of goodwill and other intangibles both at December half year and at year's end, it was considered prudent to write those values down, together with the related deferred tax asset, by a total of nearly $60 million. These valuations are largely based on maintainable earnings which have declined since the previous consideration of fair value. These write downs resulted in a statutory NPAT loss of $61.6 million for the full year. As a result, the net carrying value of goodwill has now been written down to $14.6 million.

Slide - Capital management and debt reduction

We are currently in discussions with our bank, the ANZ Bank, with regard to a restructure of our facility which expires in March, 2014. ANZ has been a great supporter of Rubicor through these difficult times. The current facility comprises:

- senior debt of $52.5 million
- subordinated debt of $33 million which carries no interest payments, and
- working capital of $10 million which is subject to an annual review and has been extended through to the end of February 2013.

With over $90 million of debt, the level of borrowings remains the biggest hurdle for the Company, particularly when earnings are under pressure during such difficult economic conditions. Until we are able to significantly reduce this, through restructure or otherwise, it will be difficult to fund investment in growth opportunities.

The Board is working with advisors and with ANZ Bank on various capital restructuring options, having regard to the interests of our stakeholders. These discussions have intensified in recent weeks.

The Board is optimistic about being able to come to agreement which would achieve a material restructure of Rubicor's debt position and balance sheet, but there can be no guarantee that a deal can be finalised.

Given the more involved discussions currently underway and the level of uncertainty such discussions create, the Board has taken the view that Rubicor's shares should be voluntarily suspended, so that trading is not occurring in an uninformed market. The Board is hopeful of being in a position to make an announcement on progress in these discussions within the next few weeks so that the suspension can be removed.

Slide – Vendor payments

During the year we were contractually obliged to make vendor earn-out payments of $6.4 million. This leaves just $2.4 million at present values remaining on the Balance Sheet. This time next year all vendor liabilities should be extinguished, which will be an important milestone.

Slide – Summary

In summary, the recruitment agency market continues to be very tough. Many employers have cut back on hiring and we are experiencing margin pressure in many sectors in which we operate. While the short-term outlook is uncertain, I do believe that the longer-term fundamentals are much more positive.

While it is not reflected in the share price, the fact is that we have a valuable portfolio of specialist recruitment brands, each with their own particular market niches. With some 300 staff spread across 40 offices, this is a substantial network.

Our focus is to support our operating businesses so that when employer confidence returns, they are well-positioned for the upturn in demand.

I would like to thank our shareholders for their loyalty and support. I am highly conscious of your concerns – we are shareholders ourselves - which is why we thought it appropriate to reduce both Directors' fees and Executive Management salaries by 10% since January this year. We remain committed to improving the Company's financial position and exploring ways of creating value for our shareholders.

I would now like to hand over to our CEO Jane Beaumont.

Thank you.

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CEO’s Address
Ms Jane Beaumont, CEO, Rubicor

Slide – Market overview

Thank you, John.

It has indeed been a difficult year. While unemployment has remained low in Australia, there has been a marked decline in external recruitment activity, particularly for permanent positions. This is evidenced by the ANZ Job Ads Series which has been in decline for the last seven months. It reflects weakness in all states and with the most recent measurement, in October, is at its lowest point since January 2010 and is 15% down on last year. In New Zealand the jobs market was impacted as a result of various distractions to businesses such as the Christchurch earthquake and the local election. Global economic uncertainty also affected the Singapore market, which is represented by many international companies, especially those in the finance sector.

Slide – Revenue

Total revenue remained stable at $290.5 million, much the same as the previous year. We continued to secure repeat business from our existing clients, as a result of our strong client relationships and our ability to cross-sell Rubicor services across the operating companies. We also attracted a number of new clients and preferred supplier agreements, with some client wins spread across multiple Rubicor companies.

However, business volumes have at times been inconsistent when compared to prior periods. The recruitment landscape remains very competitive and in both retaining and growing new business, there has been downward pressure on margins. We are mindful of the need to balance growth and margins and we monitor this closely.

Volumes for permanent placements, which are our most profitable line of business, were considerably down on last year due to weak business confidence. By contrast, contract and temporary recruitment held up well – up three per cent - and we continue to focus on building our strength in this area.

Our emerging human capital solutions business covers outsourcing of services such as leadership and employee development, business advice and restructure, remuneration benchmarking, assessments, coaching and training, and other associated services. Employers have taken a more cautious approach this year to investment in these areas.

Overall, Gross Margin or Net Disposable Revenue was $55.7 million. This chart shows the split between Permanent recruitment which accounted for 44.3%, Contract and temporary which contributed 49.4% and Human Capital Solutions which contributed 6.3% of NDR. It also shows the split by industry sector, showing the diversity of the Company.

Slide - Efficiencies

While we began by growing headcount in the first quarter, as the market deteriorated we had to make adjustments. As a result during the full year consultant numbers reduced from 251 to 215, with the ratio of consultant costs to NDR rising, reflecting the difficult sales environment. Where sectors or specific geographies have warranted, we have cautiously added headcount; in many others we have reduced headcount as a result of tougher conditions.

Our overall measure of performance, EBITDA to NDR, averaged 12.2%, down on the previous year, mainly as a result of reduced permanent placements.

As John mentioned, we have also reduced the cost of executive salaries by 10% from January this year.

Slide - Strategic focus

We continue to focus on seven key areas:

- *Investment in consultant headcount in growth sectors.* To compensate for the market softening in a number of industries and sectors, we continue to look to take advantage of opportunities in those sectors and disciplines where to the market is strong and we can drive revenue growth.

- *Improved cross-selling among the operating companies and greater penetration within our current customers.* We have continued our strategy of creating hubs, where different brands can share common office infrastructure and collaborate on joint initiatives. For new business, we are increasingly focusing on mid-tier companies that have to compete with established market leaders in the war for talent, where our range of specialist brands and access to deep talent pools can provide a competitive edge.

- *Improving fill rates.* Filling a greater percentage of roles for our clients will increase our levels of retained work and the amount of exclusive work we are able to secure.

- *Growing our temporary and contract business.* This is an important counterbalance to permanent placements that have been under pressure. Many of these contracts are for extended periods, providing a valuable recurring income stream. We see this as a core area of focus for the business.

- *Improving efficiency through IT.* We have undertaken a complete overhaul of our IT resources. All operating company websites have been refreshed and redesigned. This will enhance their effectiveness, expanding our reach to both candidates and clients. Individual job boards on each of these websites have now been aggregated into a Rubicor Group job board to improve the overall candidate experience. Candidates can now go to one site to search for all opportunities from across Rubicor Group companies. We are also making increasing use of new technology such as smartphones, tablets, and Skype. We are in the process of outsourcing our IT services to a cloud solution, which will simplify processes, reduce costs and lower the amount of time spent on administration, enabling our people to focus on their core business. This will be completed by late January, with financial benefits being delivered in 2013 and beyond.

- *Continuing investment in our people* through learning and development programs to skill them up for the future. We have established employee engagement and retention programs, learning and development options, and additional employee benefits including study assistance and an Employee Assistance Program. A new Group intranet has been launched which will help leverage our combined experience and knowledge and facilitate better communication between our employees. The intranet is very important to build, foster and drive business and knowledge leverage across the brands. We are also building on our social networking initiatives to create a stronger market presence, leading to greater engagement with talent communities through various social networks. This is a very important program for our businesses, particularly in ensuring we build sustainable relationships with talent so that we can ultimately act as 'career managers' to candidates.

- *Greater certainty of revenue through annuity income*, in order to reduce the impact of market volatility. In April 2012 we launched our Recruitment Process Outsourcing (RPO) offering to complement the outsourced solutions already managed by a number of our operating businesses. We look forward to servicing our first clients through this new Group line-of-business during the coming year. This is a longer lead time business opportunity and we anticpate that it will take up to 12 months to secure our first true opportunity.

Outlook

The poor trading conditions experienced in the second half of last year have continued into the current financial year, exacerbated by recent weakness in the resources sector. Together with our constrained liquidity position, this has necessitated a relatively defensive approach by management. We will continue to reduce costs, particularly those not directly linked to income-generating operations, but remain well positioned to take advantage of any recovery in markets.

As a result of seven months of growth decline aligned to the decline in the job ads mentioned earlier, which has in the last three months been further impacted by the slow down in the resources sector, we have reviewed business operations to look at the most effective strategy to take advantage of growth sectors in the economy and to position the Group for sustainable growth. Over the next three months we will implement these plans to drive performance and productivity.

We believe the longer-term fundamentals of the recruitment sector remain positive and that when employer confidence returns Rubicor will be among the best positioned.

Thank you.